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18 APR 1977

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM : John F. Blake
Deputy Director for Administration

SUBJECT : Status of IG Recommendations Approved by the Acting
DCI on Agency Relations with U.S. Business Community

REFERENCE : Multiple addressee memorandum from E. H. Knoche dated
27 Feb 77, Subject: Agency Relations with the U.S.
Business Community: Recommendations of the Inspector
General

As you requested, the following actions have been taken by the DDA on IG recommendations approved in reference.

- a. Recommendation 3: That CIA commitment to the principle of competitive contracting be reaffirmed, beginning with a policy statement from the DCI.

On 7 April the statement of policy on "Competition in CIA Procurement" was signed and distributed to the four directorates. The revision to Headquarters Regulation on procurement activity is in coordination and we expect publication in May.

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- b. Recommendation 4: That OL review all existing training and find new ways to emphasize the legal basis, the desirability and methods of promoting competitive contracting; and that both contracting officers and requirements officers be exposed to this training.

The Office of Logistics plans to review Federal laws and regulations in the area of competition and source selection methods to identify deficiencies in existing Agency procurement practices. Upon identification of the problem areas, they will issue Headquarters regulations on procurement source selection and preparation of Requests for Proposals. By establishment of a feedback mechanism in the new procedures, they will be able to monitor compliance with the regulations on competitive contracting. Then, in conjunction

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with the Office of Training, they hope to establish an in-house training program which will cover preparation of the Requests for Proposals and source selection methods. The Office estimates this plan of action will be completed by 30 June.

- c. Recommendation 6: That OL articulate guidelines for contracting officers, expanding on those now in existence, to define types of situations where sole-source procedures are proper for the Agency.

Since the Agency is reaffirming its commitment to competitive contracting (see Recommendation 4), we do not think it is appropriate to issue criteria for justifying sole-source procurements. All contracting officers are well aware of those situations in which sole-source procurement is justified but promulgation of guidelines for this activity would be counterproductive; it might tend to encourage sole-source buying and negate the benefits obtainable from Recommendations 3 and 4.

- d. Recommendation 7: That the Contract Review Board proceed, as we are informed OL intends, to review production and other contracts in the same way it does DDS&T contracts.

Action has been completed; Procurement Note No. 100, dated 25 March 1977, implements this recommendation. The dollar threshold for review has been raised to \$300,000 for any procurement request, proposed contract or amendment in scope and \$45,000 for overruns of original cost estimates.

- e. Recommendation 8: That OL review its Table of Organization in comparison to comparable Government organizations as well as its distribution of professionals noted in Attachment D, [Section D of Attachment to IG's Report] with a view toward possible increases in personnel numbers and grade levels.

Position Management and Compensation Division, OP, has completed its survey of the Procurement Division and presented a preliminary report of findings to the Director of Logistics. Discussions are continuing between the two Offices to negotiate agreements, resolve differences and complete the formal report of survey.

- f. Recommendation 9: That a systematic and consistent Agency procedure be established to insure that the contracting officer's participation is solicited at the earliest time in the pre-proposal process; and that source-selection be organized in a way that recognizes the independent responsibilities of the contracting officer, in accordance with the Armed Services Procurement Regulations.

In coordination with DDS&T representatives, the OL will review the Federal regulations in the area of contracting procedures to identify deficiencies in Agency procurement practices. Upon identification and resolution of problem areas, regulations regarding contracting officers' early participation in the pre-proposal process, the independent responsibilities of contracting officers and similar contract procurement matters will be published.

- g. Recommendation 13: That prior to 30 September 1977 the current list of consultants be reviewed with each office justifying its use of consultants in greater detail than at present. Further, that all members of Agency panels be listed as consultants so that a centralized record will be maintained on those consultants from the private sector.

STATINTL The Office of Personnel has prepared a revision to Headquarters Regulation on consultants and OGC is reviewing their proposal currently. The revised regulation provides for component review of consultant contracts each July so as to allow sufficient time for detailed review, action and approval prior to the beginning of the new fiscal year.

- h. Recommendation 15: That the Supply Management Branch should be more selective in accepting items for covert procurement. A notice to this effect should be issued to the DDO.

The Office of Logistics has disseminated a notice to all logistics officers in the DDO, and to other directorates as well, providing guidance on the capabilities and proper utilization of the Supply Management Branch in the area of covert procurement.

/s/ John F. Blake

John F. Blake

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AI/DDA: [redacted] ydc (13 April 1977)

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